

May 9, 2011

**EX PARTE OR LATE FILED****VIA ELECTRONIC FILING AND HAND DELIVERY****FILED/ACCEPTED**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**MAY - 9 2011**Federal Communications Commission  
Office of the Secretary

Re: WC Docket No. 10-90 Connect America Fund  
GN Docket No. 09-51 A National Broadband Plan for Our Future  
WC Docket No. 07-135 Establishing Just and Reasonable Rates for  
Local Exchange Carriers  
WC Docket No. 05-337 High-Cost Universal Service Support  
CC Docket No. 01-92 Developing a Unified Inter-carrier  
Compensation Regime  
CC Docket No. 96-45 Federal-State Joint Board on Universal Service  
WC Docket No. 03-109 Lifeline and Link-Up  
**NOTICE OF EX PARTE PRESENTATION**

Dear Ms. Dortch:

On May 6, 2011, Douglas Kitch and Vincent Wiemer, principals of Alexicon Telecommunications Consulting, and I met separately with members of the staff of the Wireline Competition Bureau. Those included Carol Matthey, Katie King, Ted Burmeister, Gary Seigel, Patrick Halley, Martha Stancill, Margaret Weiner, Steven Rosenberg, and Douglas Slotten. Kevin King of the Commission's Office of Strategic Planning also participated in the meeting. Also attending these meetings were several officers of telecommunications companies for whom Alexicon provides consulting services. Those attendees included Michael Murphy and Tonya Murphy of Gorham Telephone Company, Bill Eckles of Bevcomm, Steve Sackrider of WTC (Wamego, Kansas), Bruce Holdridge of Gila River Telecommunications, Inc., and Brian Boisvert of Wilson Communications

The purpose of these meetings was to describe how certain aspects of the Commission's Universal Service Fund and Inter-carrier Compensation reform proposals would have an adverse impact on those companies' ability to continue to provide affordable telecommunications services to their rural, lightly-populated communities and to deploy broadband infrastructure throughout their rural service areas. Alexicon presented a detailed description of a model which it has developed for reforming Universal Service Fund and Inter-carrier Compensation which would achieve the Commission's stated goals. During the meetings, certain documents were provided, including a "talking points" summary of the Alexicon proposal as well as materials describing Gorham Telephone Company, Wilson Communications and Bevcomm. Copies of those materials are included with this letter. In addition, CDs containing the entirety of the data

upon which the aforementioned model has been built are being provided to each attendee. In addition, a CD will be provided to the Secretary's office for inclusion in the record of these dockets. The data are contained in excel spreadsheets and it is our understanding that the Commission's Electronic Comment Filing System will not accept Excel spreadsheets. Because of their volume, providing the spreadsheets as PDF documents is impracticable.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically. Please direct any questions regarding this submission to undersigned counsel.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Brecher', with a long horizontal flourish extending to the right.

Mitchell F. Brecher

Enclosures

cc: Mr. Carol Matthey  
Ms. Katie King  
Mr. Ted Burmeister  
Mr. Gary Siegel  
Mr. Patrick Halley  
Ms. Martha Stancill  
Ms. Margaret Weiner  
Mr. Seven Rosenberg  
Mr. Douglas Slotten  
Mr. Kevin King

# Universal Service Fund and Intercarrier Compensation Reform

Doug Kitch, Principal  
Vince Wiemer, Principal  
Alexicon Telecommunications Consulting

## Introduction

- Alexicon Telecommunications Consulting provides management consulting services to approximately two dozen independent local exchange carriers serving rural areas.
- Alexicon's clients include privately-owned, co-operatives, and tribal companies in ten states and represent communities ranging from 250 to 40,000 access lines.
- Alexicon advises its clients on rate-of-return (RoR) regulation, universal service funding, intercarrier compensation, and interconnection issues among other services.

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## Goals

- Modernize universal service fund and intercarrier compensation mechanisms;
- Create incentive-based USF for small RoR carriers to deploy broadband;
- Modernize USF rules to advance IP technology;
- Provide efficiency within the USF system; and
- Accomplish these goals in a manner consistent with current ratemaking and Universal Service Funding algorithms.

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## The Alexicon Plan for USF/ICC Reform

- Guiding Principles:
  - ▶ USF should support the causes of the higher cost of the deployment and provision of universal services – loop costs; central office and field equipment; and bandwidth access.
  - ▶ Explicit funds should provide specific, predictable and sufficient support to preserve and advance universal services.
- Proposed Support:
  - ▶ The Broadband High Cost Loop Fund
  - ▶ Middle Mile Support
  - ▶ Local Switching Support (reformed)
  - ▶ Interstate Common Line Support (includes Intercarrier Compensation Reform)

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## The Alexicon Plan for USF/ICC Reform (continued)

### ■ Proposal is a Comprehensive Solution

- ▶ Provides funds for rural carriers, non-rural carriers serving rural areas, and CETCs
  - ✓ High cost universal service funds should support the costs of high cost carriers
- ▶ Provides funds in a technology neutral manner
  - ✓ CETC's can qualify
  - ✓ All ETCs should have the same responsibilities and requirements
- ▶ Efficiently leverages current broadband networks, information, mechanisms, and rules.

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The Broadband High Cost Loop Fund

## The Broadband High Cost Loop Fund (continued)

- Current separations and record-keeping rules do not have to be modified.
  - ▶ Equipment Categories are defined in 47 CFR 36.126(b)(1)(i); 36.126(b)(2)(ii); 36.152(a)(2) and 36.155.
  - ▶ Required Continuing Property Records (CPRs) kept by carriers contain this data.
- Support for broadband equipment currently recovered via interstate special access rates is quantified and removed to avoid "double recovery".

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## Alexicon Broadband HCL Algorithm - Development

- Reproduced the 2010 SACPL and HCL support calculation for every rate-of-return carrier in the U.S. using NECA's national database and current algorithm.
- Revised the algorithm to include broadband equipment categories Cat 2 CWF, Cat 4.11 COE, and Cat 4.22 COE.
- Estimated broadband equipment category amounts for each company by applying data and category relationships from the 2010 NECA Tariff Review Plan.

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## Alexicon Broadband HCL Algorithm – Development (cont'd)

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC. RATE OF RETURN PERSPECTIVE COST ANALYSIS SUMMARY (2000)										
TEST YEAR FORECAST FISCAL YEAR 2001	SWITCHED TRAFFIC DENSITIES									
	LOCAL DENSITY	LOCAL ACCESS	INTRA- STATE	INFORMATION SERVICES	TRANSDATA TRANSPORT	LOCAL TRANSPORT	WIRE REMOTE	TOTAL SWITCH TRAFFIC DENSITY	PERCENT ACCESS	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<b>TELEPHONE PLANT BY SERVICE</b>										
210 General Support	111,217	0	0	0	2,084	21,407	14,260	248,968	232,834	0
220 Central Office Equipment - Switch	1,128,827	0	0	0	23,280	0	0	1,152,107	0	0
230 Service Equipment	28	0	0	0	0	0	0	28	0	0
240 Transfer Equipment	0	0	0	0	23,680	0	0	23,680	0	0
250 Local Trunking Ckt. T	7,125,107	0	0	0	0	0	0	7,125,107	0	0
260 Equal Access	3,468	0	0	0	0	0	0	3,468	0	0
270 Central Office Equipment - Frame	0	0	0	0	0	184,908	4,730	189,638	1,021,722	0
280 Subscriber Lines	0	0	0	0	0	0	0	0	250,125	0
290 Exchange Circuit	0	0	0	0	0	0	0	0	888,150	0
300 Interexchange Circuit	0	0	0	0	0	182,818	0	182,818	16,987	0
310 Local Service	0	0	0	0	0	0	43,776	43,776	11,732	0
320 Cable and Wire	0	0	0	0	0	178,533	54,131	232,664	121,582	0
330 Subscriber Lines	0	0	0	0	0	0	0	0	317,784	0
340 Exchange	0	0	0	0	0	734	0	734	360,798	0
350 Interexchange Circuit	0	0	0	0	0	118,144	0	118,144	250,535	0
360 Local Service	0	0	0	0	0	0	34,125	34,125	34,125	0
370 Hft. Org./Term. Equipment	0	0	0	0	0	0	0	0	0	0
380 Interexchange Circuit	4,347	0	0	0	0	12,888	1,827	19,062	8,819	0
390 Total Plant & Service	1,344,291	0	0	0	27,267	428,899	114,148	1,896,505	1,841,110	0
<b>TOTAL TPIS Total Circuit Total CWF</b>										
	DL160_ADCT_2001	DL240_ADCT_2000	DL255_ADCT_2410	COE 4.11 - Wideband Exchange Line Circuit Equipment - Interstate		COE 4.22 - Interexchange Wideband Circuit - Interstate		CAT 2.00 AVG CWF - Interstate		
SUM OF RURAL AREAS:	68,002,152,353	14,975,354,692	37,098,078,868							
NECATRP DETAIL:	24,951,283,000	4,977,202,000	14,066,468,000	688,130,000		16,967,000		368,755,000		
	36.7%	33.2%	37.9%	13.8457%		0.3409%		2.6269%		
				% of Total Circuit (DL240)		% of Total Circuit (DL240)		% of Total CWF (DL255)		

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## Alexicon Broadband HCL Algorithm - Calculation

- Calculated Study Area Broadband Cost per Loop (SABCL) for each cost settlement carrier based on the estimated broadband investments.
- Calculated separate National Average Broadband Cost per Loop (NABCL) for non-rural and rural rate-of-return carriers using the estimates described.
- Calculated Annual Broadband HCL Support for each cost settlement carrier using the estimates described.
- Calculated the support amounts attributed to broadband equipment to be removed from special access ratemaking for each carrier (the Broadband Recovery Adjustment).

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## Alexicon Broadband HCL Algorithm – Calculation Notes

- The following current conditions are maintained in the calculation:
  - ▶ Corporate Operations Expense limitation calculation
  - ▶ 65% / 75% recovery thresholds for study areas reporting fewer than 200,000 access lines
- Average Schedule Company results were estimated as follows:
  - ▶ 3% of Nationwide Broadband Unseparated Costs
  - ▶ 2.64% of Total Rural Company Annual Broadband High Cost Loop Support

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## Alexicon Broadband HCL Algorithm – Calculation Notes (continued)

- Broadband HCL is calculated without Section 54.305 “parent trap” rule support limitations.
  - ▶ Acquired exchanges receive 100% support.
- The Alexicon Broadband HCL Model can adjust the effective NABCL in order to account for a capped fund.
  - ▶ Same type of adjustment as is currently made to the HCL fund due to the frozen \$240 NACPL for rural carriers.
- CETC data in the model is identical support data, because actual cost data was not available.

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## Alexicon Broadband HCL Algorithm – Results

Combined Non-rural & Rural Co's	2010 Actual HCL Data	Broadband HCL (est.)
Unseparated Revenue Requirement	\$25,906,588,559	\$28,099,084,241
Cost per Loop	\$423.15	\$459.00

Rural Companies	2010 Actual HCL Data	Broadband HCL (est.)
Unseparated Revenue Requirement	\$7,954,573,961	\$8,556,817,350
Cost per Loop	\$505.37	\$543.76
Capped Cost per Loop	\$458.36	\$543.76
Total Annual HCL Support	<b>\$912,645,750</b>	<b>\$815,924,701</b>

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## Middle Mile Support

- ❑ "Middle Mile" connects the last mile broadband provider to a node on the Internet backbone.
- ❑ The cost to obtain Internet bandwidth access is one of the largest barriers to reasonable and affordable consumer broadband rates in rural areas.
- ❑ Proposal 1: Accumulate cost data for bandwidth access, develop an average or threshold cost, and fund costs in excess of the threshold in a manner similar to the Broadband High Cost Loop Fund.
- ❑ Proposal 2: Include middle mile cost as a part 32 transmission cost (acct 6232) which would allow the recovery of costs through the Broadband HCL Fund and ratemaking.

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## Local Switching Support

- ❑ Phasing out LSS entirely is counter-intuitive to the Commission's initial intent for this funding mechanism, which was "to help small telephone companies that lack economies of scale."
- ❑ Proposal: Ratchet down the DEM weighting threshold from the current levels.
  - ▶ <5,000 lines = weighted DEM of 3;
  - ▶ 5,000 to 10,000 lines = weighted DEM of 2.5;
  - ▶ 10,000 to 15,000 lines = weighted DEM of 2; and
  - ▶ > 15,000 lines receives minimal or residually-based funding from LSS

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## Interstate Common Line Support & ICC Reform

- ❑ ICLS helps to offset interstate access charges
  - ▶ designed to permit each rate-of-return carrier to recover its common line revenue requirement,
  - ▶ while ensuring that subscriber line charges (SLC) remain affordable.
- ❑ ICLS recognizes that a portion of the common line is used for interstate purposes.
- ❑ Due to broadband, the interstate portion of common line usage will only increase.

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## Interstate Common Line Support & ICC Reform (continued)

- Interstate Common Line Support is the obvious mechanism for recovery of other access rate amounts shifted due to Intercarrier Compensation reform.
- **Proposal:** Modify the current MAG shift adjustment to move traffic sensitive switched access revenue requirement to the common line element.
- All other aspects of the ICLS should remain the same.

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## Intercarrier Compensation Reform - Notes

- Alexicon's treatment can capture the following proposed reforms:
  - ▶ ICC Reform Revenue Offset
  - ▶ ICC Reform Shift to ICLS
    - ✓ Target access rate; or
    - ✓ All or a portion of switched access rates moved to ICLS
  - ▶ Broadband HCL Recovery Adjustment
  - ▶ Corporate Operations Expense Cap for ICLS

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## Comparison of Results

### NOTES:

- (1) Comparisons do not include the proposed corporate operations expense cap on ICLS, SNA and LSS as no specific formula has been suggested or adopted.
- (2) Common Line Revenue Requirement has been presented for comparison as opposed to ICLS because of the proposals to increase Subscriber Line Charges.
- (3) Middle Mile Support has been proposed however the data needed to calculate support is not yet available, so no amount has been included.

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## Comparison of Results Company Example 1

### ■ Summary Operating Data:

- ▶ Approximately 350 access lines in a single exchange
- ▶ 100% FTTH broadband connections

	Legacy Plan	Alexicon Broadband Plan	Difference
High Cost Loop	\$ 656,098	\$ 629,734	\$ (26,364)
Safety Net Additive (1)	\$ -	\$ -	\$ -
Common Line Revenue Reqmnt (2)	\$ 345,533	\$ 497,689	\$ 152,156
Local Switching Support (1)	\$ 102,180	\$ 102,180	\$ -
Middle Mile Support (3)	\$ -	\$ -	\$ -
Interstate Switched Access	\$ 153,019	\$ 861	\$ (152,158)
Interstate Special Access	\$ 832	\$ 832	\$ -
<b>Total</b>	<b>\$ 1,257,662</b>	<b>\$ 1,231,296</b>	<b>\$ (26,366)</b>

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## Comparison of Results Company Example 2

### ■ Summary Operating Data:

- ▶ Approximately 4,800 access lines in three exchanges
- ▶ ~ 40% have FTTH broadband connections, the remainder DSL copper lines

	Legacy Plan	Alexicon Broadband Plan	Difference
High Cost Loop	\$ 370,397	\$ 741,121	\$ 370,724
Safety Net Additive (1)	\$ -	\$ -	\$ -
Common Line Revenue Reqmnt (2)	\$ 1,391,159	\$ 2,999,543	\$ 1,608,385
Local Switching Support (1)	\$ 583,896	\$ 583,896	\$ -
Middle Mile Support (3)	\$ -	\$ -	\$ -
Interstate Switched Access	\$ 1,614,222	\$ 5,835	\$ (1,608,387)
Interstate Special Access	\$ 1,098,570	\$ 914,699	\$ (183,871)
<b>Total</b>	<b>\$ 5,058,244</b>	<b>\$ 5,245,095</b>	<b>\$ 186,851</b>

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## Comparison of Results Company Example 3

### ■ Summary Operating Data:

- ▶ Approximately 33,000 access lines in six exchanges
- ▶ About 75% have FTTH broadband connections, the remainder DSL copper lines

	Legacy Plan	Alexicon Broadband Plan	Difference
High Cost Loop	\$ 17,152,875	\$ 15,013,478	\$ (2,139,398)
Safety Net Additive (1)	\$ 980,700	\$ 980,700	\$ -
Common Line Revenue Reqmnt (2)	\$ 13,206,681	\$ 13,673,341	\$ 466,660
Local Switching Support (1)	\$ 180,336	\$ -	\$ (180,336)
Middle Mile Support (3)	\$ -	\$ -	\$ -
Interstate Switched Access	\$ 535,076	\$ 68,414	\$ (466,662)
Interstate Special Access	\$ 792,103	\$ 623,497	\$ (168,606)
<b>Total</b>	<b>\$ 32,847,772</b>	<b>\$ 30,359,430</b>	<b>\$ (2,488,342)</b>

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The slide features a decorative vertical border on the left side, composed of several overlapping semi-circular and circular shapes in shades of gray and white. The main body of the slide is white and contains the text "Questions?" centered horizontally and vertically.

**Questions?**

**Alexicon Telecommunications Consulting**  
**FCC Ex Parte Outline**  
**May 5<sup>th</sup> and 6<sup>th</sup>, 2011**

**Re: In the Matter of**

- **Connect America Fund WC Docket No. 10-90;**
- **A National Broadband Plan for Our Future GN Docket No. 09-51;**
- **Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135;**
- **High-Cost Universal Service Support WC Docket No. 05-337;**
- **Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92;**
- **Federal-State Joint Board on Universal Service CC Docket No. 96-45;**
- **Lifeline and Link-Up WC Docket No. 03-109**

Talking Points:

- A. Alexicon Universal Service Fund and Intercarrier Compensation Reform Discussion
- B. Alexicon Client Discussion: Waste & Inefficiency – Company-Specific Statistics

**Alexicon Universal Service Fund and Intercarrier Compensation Reform Discussion**

**1. Introduction**

- a. Alexicon Telecommunications Consulting provides management consulting services to approximately two dozen independent local exchange carriers serving rural areas.
- b. Alexicon's clients include privately-owned, co-operatives, and tribal companies in ten states and represent communities ranging from 250 to 40,000 access lines.
- c. Alexicon advises its clients on rate-of-return (RoR) regulation, universal service funding, intercarrier compensation, and interconnection issues among other services.

**2. Goals**

- a. Modernize universal service fund and intercarrier compensation mechanisms;
- b. Create incentive-based USF for small RoR carriers to deploy broadband;
- c. Modernize USF rules to advance IP technology;
- d. Provide efficiency within the USF system; and
- e. Accomplish these goals in a manner consistent with current ratemaking and Universal Service Funding algorithms.

**Alexicon Telecommunications Consulting**  
**FCC Ex Parte Outline**  
**May 5<sup>th</sup> and 6<sup>th</sup>, 2011**

3. The Alexicon Plan for USF/ICC Reform

a. Guiding Principles:

- i. USF should support the causes of the higher cost of the deployment and provision of universal service in rural areas – loop costs; central office and field equipment; and bandwidth access.
- ii. Explicit funds should provide specific, predictable and sufficient support to preserve and advance universal service.

b. Proposed Support:

- i. The Broadband High Cost Loop Fund
- ii. Middle Mile Support
- iii. Local Switching Support (reformed)
- iv. Interstate Common Line Support (includes Intercarrier Compensation Reform)

4. The Broadband High Cost Loop Fund

- a. Current HCL algorithm is driven by investment in Category 1 Exchange C&WF and Category 4.13 Subscriber Circuit Equipment.
- b. Proposal: Include broadband equipment categories in a broadband-based high cost loop algorithm.
  - i. Category 4.11 Wideband Exchange Line Circuit Equipment allocated to the Interstate jurisdiction as defined in 47 CFR 36.126 (b) (1) (i).
  - ii. Category 4.22 Interexchange Circuit Equipment Used for Wideband Services allocated to the Interstate jurisdiction as defined in 47 CFR 36.126 (b) (2) (ii).
  - iii. Category 2 Wideband and Exchange Trunk Cable and Wire Facilities allocated to the Interstate jurisdiction as defined in Section 36.152(a)(2) and Section 36.155.
- c. Current separations and record-keeping rules do not have to be modified.
- d. Support for broadband equipment currently recovered via special access rates is quantified and removed to avoid “double recovery”.

5. Alexicon Broadband HCL Algorithm - Development

- a. Reproduced the 2010 SACPL and HCL support calculation for every RoR carrier in the U.S. using NECA’s national database and current algorithm.
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**Alexicon Telecommunications Consulting**  
**FCC Ex Parte Outline**  
**May 5<sup>th</sup> and 6<sup>th</sup>, 2011**

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7. Alexicon Broadband HCL Algorithm – Calculation Notes

- a. The following current conditions are maintained in the Alexicon Broadband HCL Algorithm
  - i. Corporate Operations Expense limitation calculation
  - ii. 65% / 75% recovery thresholds for study areas reporting fewer than 200,000 access lines
- b. Average Schedule Company results were estimated in the following manner based on 2010 USF submission data:
  - i. 3% of Nationwide Broadband Unseparated Costs
  - ii. 2.64% of Total Rural Company Annual Broadband High Cost Loop Support
- c. Broadband HCL is calculated without Section 54.305 “parent trap” rule support limitations
- d. The Alexicon Broadband HCL Model can adjust the effective NABCL in order to account for a capped fund

8. Alexicon Broadband HCL Algorithm – Results

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**Alexicon Telecommunications Consulting**  
**FCC Ex Parte Outline**  
**May 5<sup>th</sup> and 6<sup>th</sup>, 2011**

9. Middle Mile Support

- a. "Middle Mile" connects the last mile broadband provider to a node on the Internet backbone.
- b. The cost to obtain Internet bandwidth access is one of the largest barriers to reasonable and affordable consumer broadband rates in rural areas.
- c. Proposal 1: Accumulate cost data for bandwidth access, develop an average or threshold cost, and fund costs in excess of the threshold in a manner similar to the Broadband High Cost Loop Fund.
- d. Proposal 2: Include middle mile cost as a part 32 transmission cost (acct 6232) which would allow the recovery of costs through the Broadband HCL Fund and ratemaking.

10. Local Switching Support

- a. Phasing out LSS entirely is counter-intuitive to the Commission's initial intent for this funding mechanism, which was "to help small telephone companies that lack economies of scale."
- b. Proposal: Ratchet down the Dial Equipment Minutes (DEM) weighting threshold from the current levels.
  - i. <5,000 = weighted DEM of 3;
  - ii. between 5,000 and 10,000 = weighted DEM of 2.5;
  - iii. between 10,000 and 15,000 = weighted DEM of 2; and
  - iv. > 15,000 receives minimal or residually-based funding from LSS.

11. Interstate Common Line Support & ICC Reform

- a. ICLS helps to offset interstate access charges and is designed to permit each RoR carrier to recover its common line revenue requirement, while ensuring that subscriber line charges (SLC) remain affordable.
- b. ICLS recognizes that a portion of the common line is used for interstate purposes.
- c. Due to broadband, the interstate portion of common line usage will only increase.
- d. Interstate Common Line Support is the obvious mechanism for recovery of other access rate amounts shifted due to Intercarrier Compensation reform.
- e. Proposal: Modifying the current MAG shift adjustment to move traffic sensitive switched access revenue requirement to the common line element
- f. All other aspects of the ICLS should remain the same.

**Alexicon Telecommunications Consulting**  
**FCC Ex Parte Outline**  
**May 5<sup>th</sup> and 6<sup>th</sup>, 2011**

**12. Intercarrier Compensation Reform – Notes**

- a. Alexicon's treatment can capture the following proposed reforms:
  - i. ICC Reform Revenue Offset
  - ii. ICC Reform Shift to ICLS
    - 1. Target access rate; or
    - 2. All or portion of switched access rates moved to ICLS
  - iii. Broadband HCL Recovery Adjustment
  - iv. Corporate Operations Expense Cap for ICLS

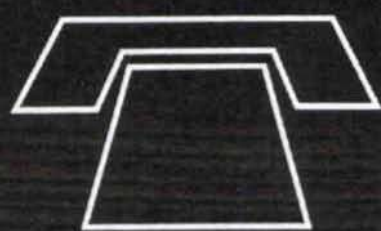
**13. CONCLUSION**

- a. Comparison of Results for the example carriers.

**Alexicon Client Discussion - Waste & Inefficiency: Company-Specific Statistics**

Alexicon is perplexed how the Commission appears to associate "waste and inefficiency" with "high cost". In this regard, some of Alexicon's client companies would like to address the Commission, share their experiences, and share company-specific metrics such as:

- Efficient network configurations
- Number of access lines served, both in total and averaged per square mile
- Number of staff employed
- Broadband offerings



# GTC

**Gorham Telephone Company**

[www.gorhamtel.com](http://www.gorhamtel.com) | 785-637-5300



*Serving the communities of:*

**Gorham  
Luray  
Paradise  
Waldo**

**Gorham Telephone Company (GTC) and Alexicon**  
**Presentation to the FCC May 5 & 6, 2011**

History:

1905--Russell-Gorham Telephone Company was formed. At this time poles were set and proper lines were strung.

1927--Russell-Gorham Telephone Company name was changed to the Gorham Telephone Company.

1944--George W. Murphy purchased controlling interest of the GTC. Gorham was the first community in Western Kansas to have dial telephone.

1947 thru 1956--Several exchanges were purchased and upgraded to automatic relay type switching using RUS funding.

1960--George W. Murphy decided to sell all but the Gorham and Waldo exchanges.

1967--John and Judy Murphy purchased controlling interest of the GTC.

1978--New Stromberg-Carlson switches were installed in both exchanges.

1988 thru 1989--All rural lines were buried and one party service was provided to everyone.

1993--New digital switches/equal access and SS7 was installed at both exchanges.

1997--Michael and Tonya Murphy purchased the GTC.

2000--Provided Dial up internet.

2003--Installed Soft switches in both exchanges and GTC Long Distance. Started fiber ring deployment. Deployed High Speed internet.

2004--Became a RUS borrower to deploy Fiber to the Home(FTTH). RUS borrower KS 562.

2005 thru 2006--Deployed Fiber to the Home in the exchanges of Gorham and Waldo, Kansas. RUS loan amount of \$3M.

2007--Purchased two Embarq exchanges: Luray and Paradise, Kansas.

2008 thru 2009-- Deployed Fiber to the Home in the exchanges of Luray and Paradise, Kansas. RUS loan amount of \$3M.

2010 thru Current--All Gorham Telephone Company customers are offered the very latest in technology, Fiber to the Home, High Speed Broadband and Digital TV.

Statistics:

GTC is a full service local exchange carrier providing telecommunications services to the cities of Gorham, Luray, Paradise and Waldo, Kansas. GTC serves four exchanges in the State of Kansas. Counties include Russell, Ellis and Osborne, Kansas. The service territory consists of 396 square miles, with a 1.23 access line per square mile and 1.73 subscribers per route mile.

Services 487 access line. (Business and Residential)

6 Full Time Employees

100% Fiber To The Home (FTTH) technology.

\$6M RUS Loan.

2010 County property Tax paid was \$73K.

Uses an OC 48 and 10 Gig Fiber Optics Transport Network with all Central Offices on Fiber Optic Ring.

52% High Speed Broadband penetration within our service territory.

Offers High Speed Broadband at 768K thru 3 Meg as advertized, but can provide more when requirement is needed.

Offers 25 Class Calling Features.

Local Phone Book

Lifeline program

Offers bundled services/\$147.99

Digital Telephone/\$24.95

Long Distance/\$.13

High Speed/\$39.95

Dial Up/\$19.95

IPTV/\$50.95

Free Voice Mail

Weather Alert/\$12

24/7 Trouble Reporting--24/7 Internet Help Desk

National, State and Local involvement:

OPASTCO (Organization for the Promotion and Advancement of Small Telecommunications Companies)

RUS (Rural Utility Service)

NECA (National Exchange Carrier Association)

FTTH (Fiber To The Home Council)

KTIA (Kansas Telecommunications Industry Association)

Russell County Economic Development

RCACF (Russell County Area Community Foundation)

City Council

Fire Departments

Church and Religious Programs

School Boards

School Events

Community Events

Local Scholarships

County Statistics per the 2000 Census:

Russell County 12.8 % below poverty level, 22.8% 65 years old and over...

Osborne County 12.4% below poverty level, 24.7% 65 years old and over.

Ellis County 11.2% below poverty level, 14.1% 65 years old and over.

City of Gorham population 534

City of Luray population 309

City of Paradise population 144

City of Waldo population 143

The average income was \$22K

Focus Summary:

We are one of the few businesses, left in our declining communities. We pride our company in the long-term quality and technology we bring to our customers whether it is telephone, high speed internet or video service. Our company chose to invest in FTTH because it was the most efficient long-term investment do to our deteriorating copper plant and the purchase of exchanges that were not served well.

Before we purchased Paradise & Luray we tried offering service via wireless technology. We had numerous trouble calls and found limitations with line of sight and weather related issues. This was another factor in our decision to deploy FTTH to our customers.

Wireless service is a service that is needed; however, it needs to be a complementary service with wireline in our area because the market simply can not even support one provider. All data can not travel through the air waves nor can wireless be a stand alone service without wireline.

Good quality Telephone & Broadband must be available to consumers. Security systems, home health care, people with disabilities, house arrest systems, E911, credit card systems, School Districts, ATMs, house meter reading, online markets & cattle auctions all can be served through our system.

We believe we operate our company very efficient with the choices of technology we offer. We keep technology in rural America as technology is constantly changing. Electronic hardware and software upgrades are constantly being done.

We made the choice to invest in our company and our communities by building a network that would last, not on advertising, buildings or race tracks. We built the most effective network and now the ability to pay it back may be taken away along with the ability to make any further investment

If rules are adopted as in the USF/ICC reform we will not be able to continue to bring quality service, let alone make loan payment to RUS. The future of our communities and our telephone company are at stake.



123 West 7th Street • Blue Earth, MN 56013  
507-526-5156 • 1-877-864-5156 • Fax: 507-526-4963  
[www.bevcomm.net](http://www.bevcomm.net)

#### Summary of BEVCOMM:

- BEVCOMM is comprised of the independent local carriers: Blue Earth Valley Telephone Company, Easton Telephone Company, Cannon Valley Telephone Company and Eckles Telephone Company. All doing business under the name BEVCOMM
- Headquartered in Blue Earth, MN.
- 11,982 access lines
- 6,629 broadband subscribers
- Serving 13 communities in Southern Minnesota. This includes all of Faribault County, MN.
- Over 1,000 square miles serving area, equates roughly 12 customers per square mile.
- Over 1685 route miles of buried cable. 7 customer access lines per mile.
- 99% broadband coverage
- Network was made 99% broadband capable as a result of a long term 25 year plan to replace aging cable with fiber a fiber to the node architecture
- Network is upgrade based on the principals of network efficiency
- Currently executing on a plan to collapse the intelligence in the network to a single location to increase network efficiency
- 800 homes currently served by fiber to the home.
- 85 Employees
- Broadband offerings range from 1 mbs up to 40 mbs
- 40.6% of revenue comes from interstate and intrastate access
- 37.1% of revenue comes from USF funding
- 22.25% of revenue comes from the end user

#### Contact information:

Bill Eckles CEO

[beckles@bevcomm.com](mailto:beckles@bevcomm.com)

507-526-3252

*...your connection to the future!*



2504 Avenue D • PO Box  
190  
Wilson KS 67490-0190  
(785) 658-2111  
(800) 432-7607  
Fax (785) 658-3344

Wilson Communications is a commercial RLEC operating in North Central Kansas. The company has been in business for more than sixty years. We build and operate efficient networks. We serve where the Bell companies would not. We have provider of last resort responsibilities.

Wilson Communications buried its copper plant back in the '70's to reduce weather related service interruptions and provide one party service. In the 1980's and '90's Wilson upgraded its interoffice network to fiber optic cable and its switching from mechanical to digital. This investment provided equal access to long distance carriers of the customers' choosing. During the last decade fiber to the node was installed to meet the need for broadband services. Wilson can reach 100% of its customers providing the current standard of 768Kb/s down. Demand for greater network bandwidth continues. Wilson now is investing in fiber to the premise. This undisputed technology provides the most reliable and technologically advanced medium for meeting the mandates contained in the Communications Act of 1996.

Predictable and sufficient support ensures that Wilson will continue providing services and operational efficiencies to the rural communities we serve. We have the experience and knowledge to provide the best long term return on USF and ICC support. Below are illustrative statistics of Wilson's area, broadband adoption and economic impact.

- 7 Exchanges covering approximately 1,000 square miles. Average customer density is 1.5 customers per square mile. Exchanges include:
  - Wilson, 493 customers, 180 sq. miles, 2.74 customers/mi<sup>2</sup>
  - Sylvan Grove, 242 customers, 142 sq. miles, 1.7 customers /mi<sup>2</sup>
  - Lucas, 269 customers, 171 sq. miles, 1.6 customers /mi<sup>2</sup>
  - Denmark, 36 customers, 49 sq. miles, 0.73 customers /mi<sup>2</sup>
  - Hunter, 108 customers, 170 sq. miles, 0.64 customers /mi<sup>2</sup>
  - Tipton, 204 customers, 127 sq. miles, 1.6 customers /mi<sup>2</sup>
  - Brookville, 188 customers, 149 sq. miles, 1.3 customers /mi<sup>2</sup>
- Total Customers: 1540
- Access Lines: 1687
- Broadband: 817 - 53% adoption rate
- Employees:
  - 13 Full-time
  - 4 Part-time



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- Services offered include Broadband Internet Access, Local Telephone Service, and Long Distance Service.
- Currently offer ADSL broadband services to 100% of our customer base. In 2009 began constructing fiber-to-the-premise. This network modernization is planned to take seven years to reach our entire customer base.
- Interstate high cost support (HCL, SNA, LSS, & ICLS) for 2010 was 58% of Wilson Telephone's operating revenue.
- Interstate access (including NECA settlements) was 15% of our operating revenue in 2010.
- Long term debt held by RUS is \$5,852,000
- Economic impact of Wilson Communications (2010):
  - 13 full time and 4 part time positions
  - \$244,233.00 in property tax
  - \$580,000 income tax
  - \$827,000.00 outside expenditures to operate the company



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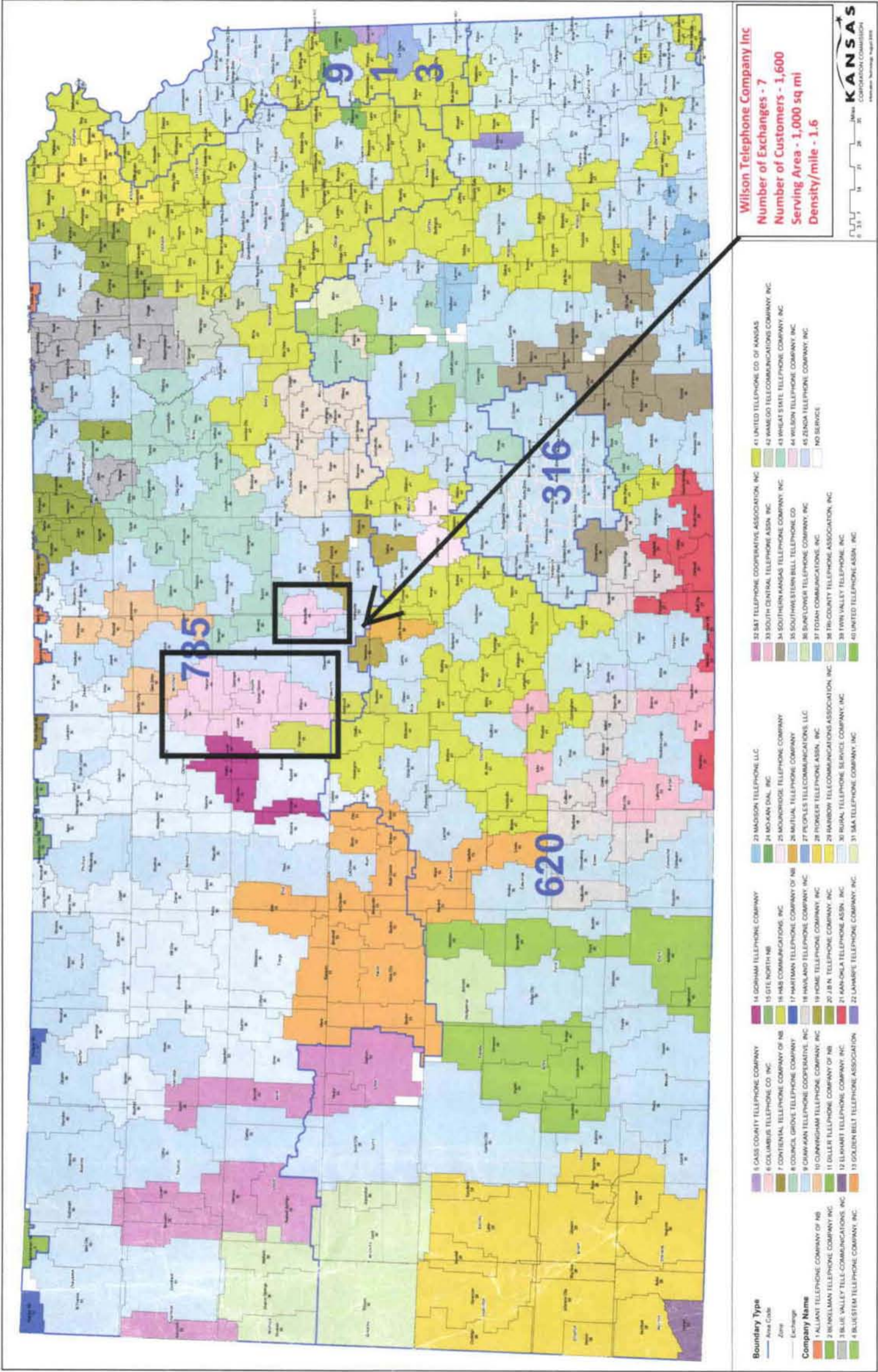
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CERTIFIED AREAS OF TELEPHONE EXCHANGES IN KANSAS



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